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FISCAL IMPACT STATEMENT

LS 7188

BILL NUMBER: SB 301

NOTE PREPARED: Jan 5, 2004

BILL AMENDED:

SUBJECT: Participating Health Providers.

FIRST AUTHOR: Sen. Drozda

FIRST SPONSOR:

BILL STATUS: As Introduced

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: This bill establishes certain requirements concerning health care providers that enter into agreements with health insurers and health maintenance organizations with respect to claims, billing, and actions taken by a licensing authority against a provider.

Effective Date: July 1, 2004.

Explanation of State Expenditures: The Department of Insurance (DOI) must adopt rules that prohibit a provider from unbundling and upcoding billing codes. "Unbundling" means the use of multiple billing codes when describing individual components of a health care service rather than the use of a single comprehensive billing code that describes the entire health care service. "Upcoding" means billing for a health care service at a higher level than the level at which the health care service is delivered. The rules adopted must be consistent with transaction codes developed by the United States Department of Health and Human Services under the federal Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. 1320D-4), as amended. Additionally, individuals suspected of bundling and upcoding may be subject to a hearing with the DOI Commissioner. The Commissioner could also issue a cease and desist order. The DOI should be able absorb any additional administrative expenses associated with implementing these provisions given its current budget and resources.

If a health professions board receives a report of an adverse action taken by a hospital or professional review committee against a provider who is licensed, certified, registered, or permitted by the board, the board must notify an insurer that has provided a point of contact and requested notification. An insurer may designate whether the notice must be sent in written or electronic form. The board must provide the notice not more than ten days after the end of the month in which the action was taken or the report was received. The notice

must specify the action taken against the provider; the date on which the action is effective; specify corrective actions taken by the board; and not provide any individually identifiable health information with respect to a patient of the provider. These provisions could increase administrative expenses to the Health Professions Bureau which provides administrative support to the boards. The increase would depend the number and nature of adverse actions that the board is reporting and the format that the Bureau uses to notify the insurer's point of contact.

Explanation of State Revenues: If the Insurance Commissioner finds that an individual has engaged in unbundling or upcoding, the individual may be subject to an administrative penalty of not more than \$10,000 for each offense. The amount of revenue that would be generated from penalties is indeterminable and would be based on the number of violations. Penalties would be deposited in the state General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Insurance; Health Professions Bureau.

Local Agencies Affected:

Information Sources:

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